

RESOLUTION NO. 4539

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AUBURN, WASHINGTON, AUTHORIZING THE MAYOR TO SUBMIT AN APPLICATION TO THE U.S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR A SECTION 108 LOAN TO ASSIST IN THE FUNDING OF THE NEW COMMUNITY CENTER AT THE LES GOVE PARK CAMPUS

WHEREAS, the City has prepared a financial strategy for funding the construction of a community center facility at Les Gove Park campus which includes the opportunity to secure a loan from the U.S. Department of Housing and Urban Development (HUD); and

WHEREAS, the City is eligible to obtain a HUD Section 108 loan of up to \$2,033,715 of which the loan may be repaid using the City's annual allocation of Community Development Block Grant (CDBG) funds; and

WHEREAS, the planning and preparation of a HUD loan application and use of the CDBG funds for repayment of the loan is being done concurrently and consistently with the updating of the City's Human Service Comprehensive Plan; and

WHEREAS, the City has prepared a draft HUD loan application which has been made available for citizen review and comment (Exhibit A); and

WHEREAS, the City has prepared the necessary plans and met the compliance requirements as set forth by HUD; and

WHEREAS, the City has conducted two public hearings as required by HUD for the purpose of obtaining views of citizens on community development and housing needs and responding to proposals and questions;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AUBURN,
WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. **Purpose.** The Mayor or his designee is authorized to apply to HUD for a Section 108 loan in an amount not to exceed \$2,033,715 for use in the funding the new Community Center at the Les Gove Park campus.

Section 2. **Implementation.** The Mayor of the City of Auburn is hereby authorized to implement such administrative procedures as may be necessary to carry out the directives of this Resolution.

Section 3. **Effective Date.** This Resolution shall take effect and be in full force upon passage and signatures hereon.

DATED and SIGNED THIS _____ DAY OF _____, 2009.

CITY OF AUBURN

PETER B. LEWIS
MAYOR

ATTEST:

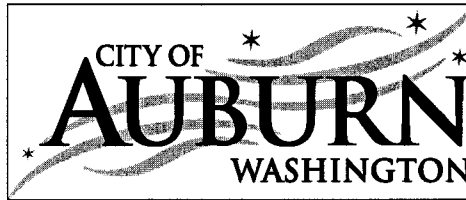
Danielle E. Daskam, City Clerk

APPROVED AS TO FORM:



Daniel B. Heid, City Attorney

EXHIBIT "A"



DRAFT
HUD SECTION 108 LOAN GUARANTEE PROGRAM
APPLICATION

PROJECT NAME: AUBURN COMMUNITY CENTER
AT LES GOVE PARK CAMPUS

APPLICANT NAME: CITY OF AUBURN, WASHINGTON

DRAFT PUBLIC REVIEW AND COMMENT PERIOD: OCTOBER 14, 2009 – NOVEMBER 13, 2009

*Draft HUD Section 108 Loan Guarantee Program Application for Community Center
Applicant: City of Auburn, Washington*

I. LOAN REQUEST

The City of Auburn, Washington (the "City"), is requesting \$2,033,720 in Section 108 Loan Guarantee (B-94-UC-06-0505) funds from the U.S. Department of Housing and Urban Development (HUD) to provide financing for the development of a 20,100 square foot Community Center facility and parking lot within the Les Gove Park complex. Approximately 3,875 square feet of the facility will be utilized for the City's Park Department administrative space. The City intends to execute a New Market Tax Credit (NMTC) financing structure that will result in the assignment of the Section 108 loan proceeds to the NMTC investment fund. The City will repay the requested Section 108 Loan with proceeds from the City's annual allocation of Community Development Block Grant (CDBG) entitlement funds. The loan will be structured to use interim financing for up to one year. Within a year, permanent financing will be obtained through HUD's public offering of notes and the loan will amortize over a twenty (20) year term.

II. PROJECT BACKGROUND AND DESCRIPTION

The new Community Center to be funded by the HUD guarantee loan will be one of a series of improvements to the Les Gove Park campus. Concurrent with this project, the City will also fund and construct a new activity center/gymnasium on the campus. Auburn has a population base of over 67,000 but is without a dedicated gathering space for community activities/events. As a result, this project ranks as a high priority for the community. According to the 2005 Auburn Parks, Recreation and Open Space Plan, the City should have one community center available per 40,000 residents. The addition of a new Community Center will fill a major community need and result in accomplishing significant capital program objectives.

The new Community Center will serve the entire Auburn community and be operate on a year-round to serve the public. The Center would be used for educational, cultural, social activities

and large non-programmed community meeting spaces. The City envisions the focus on the use of the facility for various health, fitness and wellness programs; multi-generational and multi-cultural events; special events; evening family programs; art, craft and music; community education and specialty classes; expanded youth and pre-school programs; and related activities. The City may also provide facility space to the King County Housing Authority to meet their needs in serving a low income housing rental project that is being developed adjacent to the Les Gove Park campus.

This multi-use facility will feature a spacious and welcoming lobby and a large community gathering space for up to 350 people as well as dividable space for recreational activities, programs and classes. The Community Center will also include meeting space/classrooms, lobby, kitchen, restrooms and storage space. Facility space will also be available for office use and administrative areas for approximately twenty (20) full-time and seasonal Parks, Arts and Recreation employees.

***Draft HUD Section 108 Loan Guarantee Program Application for Community Center
Applicant: City of Auburn, Washington***

With the addition of the new Community Center, it is envisioned that the residents of the City and surrounding community will realize the following benefits:

- Contribute to community pride and foster a sense of community – create a community gathering place for neighbors, family and friends to meet
- Offer a broad range of activities promoting social interaction, especially with new residents of Auburn
- Provide maximum flexibility and multiple uses through design; adaptable to changing interests
- Provide a facility that is financially feasible, affordable for participants, and can generate revenue to offset a portion of the operating costs

The Community Center will be situated on approximately twenty five (25) acres of property within the Les Gove Park campus (Exhibit “A”) which is currently owned and operated by the City of Auburn. Les Gove Park is a recreational and educational campus serving the entire community. The cluster of amenities in this campus includes the King County library, Parks and Recreation Administration Building, Senior Activity Center and White River Valley Museum. The campus also includes the popular Rotary Spray Park, a play structure, public art, bocce courts, horseshoe pits and two softball fields. A half-mile paved trail encircles an attractive bermed and treed area. The City offers a diverse population with a high concentration of low and moderate income residents. The Les Gove neighborhood is an area with a diversity of land uses and diversity of people. The area adjacent to the Community Center includes single-family neighborhoods, multi-family areas, and a retail/commercial area.

The City has already invested in the design phase of the Community Center; therefore, the loan would be used for the construction phase. The City has completed all environment reviews (Exhibit “B”) and permitting to make this essentially a “shovel ready” project.

III. SOURCES AND USES

The City estimates the total project cost to construct the Community Center to be approximately \$8.9 million (see Exhibit "C"). The funding sources for this project are expected to include: 1) a loan from a qualified community development entity under U.S. Department of Treasury New Market Tax Credits program, 2) City of Auburn reserve funds and solid waste utility fees, and 3) HUD Section 108 loan proceeds. It is contemplated that the NMTC financing will be utilized to carry out the following activities:

- The acquisition of the Les Gove Park campus real property by a newly-created entity that will be managed and controlled by the City of Auburn.
- The new construction of the Community Center.
- The new construction of an adjacent Activity Center that will be leased to the Auburn Boys and Girls Club.

***Draft HUD Section 108 Loan Guarantee Program Application for Community Center
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In addition to the HUD Section 108 loan and other resources, the City will loan the HUD Section 108 loan proceeds (along with other committed capital sources) to an Investment Fund which in turn will initiate a NMTC financing that will generate approximately \$3.4 million in NMTC subsidy.

All the other identified funding sources have previously been allocated and are available for this capital project. Below is a summary of the funding sources to date:

<u>Source</u>	<u>Amount</u>
City of Auburn - reserved REET funds or other reserves	3,300,000
Solid Waste Utility Fees	500,000
NMTC Structured Finance - Investor's Contribution	3,400,000
HUD Sec. 108 Loan (max. loan; 5 times annual CDBG payment)	<u>2,033,715</u>
	8,865,000

V. PROJECT STRUCTURE AND PARTICIPANTS

The City and/or a newly-created ownership entity that is owned and managed by the City will be the developer and owner of the Community Center facility. The City is also an entitlement CDBG grantee. Consequently, the City will borrow the Section 108 loan funds through HUD (by pledging future City CDBG funds) and use the proceeds directly to assist in the funding of the new Community Center construction. In addition to Section 108 loan, the City will use existing City revenues and New Market Tax Credits to fund the Community Center. Through the term of the NMTC financing program, the City's property will be owned and facilities will be constructed by the NMTC ownership entity. Upon the completion of the Community Center and execution of a master lease agreement, the City's Parks Department will operate the Center and administer programs, services and activities in the facility. The City may also provide space within the Community Center for use by the King County Housing Authority.

VI. DEVELOPMENT SCHEDULE

Below is the estimated schedule for the development of the City of Auburn Community Center project:

- November 2008 – environmental review completed and DNS was issued
- April 2009 – initial bids were solicited for the Community & Activity Centers, project place on hold until additional funding secured
- April 2010 – solicit bids for the construction of the Community Center.
- May 2010 – award bid and approve a construction contract with a general contractor for the Community Center project after open and competitive bid process.

*Draft HUD Section 108 Loan Guarantee Program Application for Community Center
Applicant: City of Auburn, Washington*

- June 2010 – commence construction, site subgrade preparation, under-grounding utilities.
- July-August 2010 – pour concrete slab and install framing for the Community Center.
- Summer 2010 – City will obtain HUD Section 108 loan funds by the end of June.
- Fall 2010 – exterior of Community Center expected to be completed.
- Winter 2010 – begin interior work on Community Center.
- Summer 2011 – anticipated completion of construction w/ grand opening in August 2011.

VII. REPAYMENT SCHEDULE

Below is the City of Auburn's proposed repayment schedule for the \$2,033,715 million Section 108 loan request based on a twenty (20) year loan term. For the repayment schedule below, the City assumed an interest rate of 3.23% (as of October 6, 2009) based on the current 10-year U.S. Treasury rate, plus seventy-five (75) basis points. The average annual loan repayment made by the City will be approximately \$150,000.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>P&I</u>	<u>Principal Balance</u>
2010	40,674	0	40,674	2,033,715
2011	81,349	70,000	151,349	1,963,715
2012	78,549	70,000	148,549	1,893,715
2013	75,749	70,000	145,749	1,823,715
2014	72,949	80,000	152,949	1,743,715
2015	69,749	80,000	149,749	1,663,715
2016	66,549	80,000	146,549	1,583,715
2017	63,349	90,000	153,349	1,493,715

2018	59,749	90,000	149,749	1,403,715
2019	56,149	90,000	146,149	1,313,715
2020	52,549	100,000	152,549	1,213,715
2021	48,549	100,000	148,549	1,113,715
2022	44,549	110,000	154,549	1,003,715
2023	40,149	110,000	150,149	893,715
2034	35,749	120,000	155,749	773,715
2025	30,949	120,000	150,949	653,715
2026	26,149	120,000	146,149	533,715
2027	21,349	130,000	151,349	403,715
2028	16,149	130,000	146,149	273,715
2029	19,949	135,000	154,949	138,715
2030	<u>5,549</u>	<u>138,715</u>	<u>144,264</u>	0
	1,006,454	2,033,715	3,040,169	

*Draft HUD Section 108 Loan Guarantee Program Application for Community Center
Applicant: City of Auburn, Washington*

VII. COLLATERAL

The City of Auburn intends to execute a NMTC structured financing which will result in the assignment of the HUD Section 108 loan to the NMTC investment fund. As a result of this tax credit initiative, the City will pledge to the repayment of the HUD loan the City's future CDBG entitlement funds and provide to HUD other security/collateral as determined to be necessary and appropriate.

The City is anticipating generating limited program income from the Center; however, the City may execute a partnership agreement with the King County Housing Authority in providing use of the Community Center's facilities for Housing Authority services and programs. If such an agreement is executed, it could result in some financial contributions being made to the City by the Housing Authority.

IX. CITIZEN PARTICIPATION REQUIREMENTS AND PROJECT ELIGIBILITY

Citizen Participation

Prior to the submission of this application, the City published a notice in two newspapers of general circulation to provide the public with an opportunity to comment on the Section 108 loan application to assist with the development of the Auburn Community Center Project. In addition to the notice, a community meeting was scheduled for October 19, 2009, in the City Council Chambers at Auburn City Hall to consider the use of the annual allocation of Community Development Block Grant funds to pay principal and interest payments for the HUD Section 108 loan. A second public hearing is scheduled to occur on November 2, 2009.

Eligibility

Construction of the City of Auburn's Community Center project is eligible under 24 CFR (Code of Federal Regulations) Section 570.703(l), which states "Acquisition, construction, reconstruction, rehabilitation or historic preservation, or installation of public facilities...."

Through the development of the proposed Community Center facility, an important contribution to the City's economic development plan is the creation of construction jobs within the region. In line with the goals of the American Recovery and Reinvestment Act which is to stimulate the economy through the creation of jobs, this Section 108 loan funds will finance this "shovel ready" project resulting in the creation of numerous construction-related jobs over a twelve (12) month period. These construction jobs will pay the higher of Federal or State prevailing wages, thereby increasing pay scales for many local residents and contributing to the local economy.

National Objective The Project meets the National Objective of Activities Benefiting Low- and Moderate-Income Persons under 24 CFR Section 570.208(a)(1)(i), which requires a service area containing at least fifty-one percent (51%) low and moderate income persons. Based on the identified service area which consists of the City's entire population base, 55.5% of the City of *Draft HUD Section 108 Loan Guarantee Program Application for Community Center*
Applicant: City of Auburn, Washington

Auburn's population is comprised of low and moderate-income persons according to the statistical data provided by HUD.

X. LOCAL CONTACTS

Please contact the following with any questions or comments on the City of Auburn's HUD Section 108 loan application:

- Contact Name: Michael R. Wilson
- Contact Address: City of Auburn, 25 W. Main Street, Auburn, WA 98001
- Phone/Fax: (253) 931-3006 / (253) 804-3116
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- Contact Name: Michael Hursh
- Contact Address: City of Auburn, 25 W. Main Street, Auburn, WA 98001
- Phone/Fax: (253) 804-5029 / (253) 804-3116
- E-mail address: mhursh@auburnwa.gov